

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2363 - SB 2219

March 23, 2009

SUMMARY OF BILL: Authorizes any certificated provider of local exchange or intra-state long distance telephone service to elect to operate pursuant to market regulation by filing a notice of intent with the Tennessee Regulatory Authority (TRA). Requires TRA to hold notice of intent for 15 days following receipt, during which time any interested party is authorized to file an intervention requesting a contested case proceeding. Requires TRA to enter a final order within 90 days from the date of any filing for a contested case proceeding. Specifies the jurisdiction retained by TRA regarding any providers who have elected to operate pursuant to market regulation.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue –

\$4,014,600/Tennessee Regulatory Authority

Decrease State Expenditures –

\$325,800/Tennessee Regulatory Authority

Assumptions:

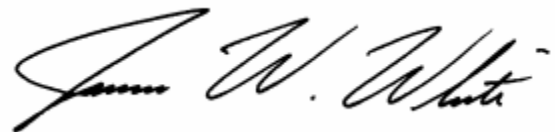
- It is unknown how many certificated telecommunications providers may elect to operate under market regulation as a result of this bill. However, TRA anticipates that most would elect to operate pursuant to market regulation.
- According to TRA, certificated providers are required to pay annual inspection fees like all other public utility companies. While this bill provides that such certificated providers electing market regulation would continue to be under the jurisdiction of TRA when assessing and collecting inspection fees pursuant to Tenn. Code Ann § 65-4-303, the Authority indicates that these inspection fees are based on utility revenue for the purpose of setting intra-state rates under Title 65, Chapter 5. According to TRA, because there would no longer be any regulated utility revenue upon which to assess fees, these fees would no longer be collected.

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- The recurring decrease to inspection fee revenue is estimated to be \$3,264,600
- According to TRA, a portion of inspection fees are allocated to the Office of the Comptroller each year to help fund the State Assessed Properties Division (SAPD). TRA indicates that a payment of approximately \$502,000 was made to the SAPD in FY07-08.
- Pursuant to Tenn. Code Ann. § 65-21-115 and TRA Rule 1120-4-10-.01, incumbents with revenues greater than \$5,000,000 would no longer be required to provide funding for the Tennessee Devices Access Program (TDAP) under this bill. The recurring decrease to TDAP revenue is estimated to be \$750,000 per year.
- The total recurring decrease to state revenue is estimated to be \$4,014,600 per year ($\$3,264,600 + \$750,000 = \$4,014,600$).
- TRA indicates that certificated providers would no longer be required to file tariffs, quarterly quality of service reports, or monthly or annual financial reports. As a result, TRA would no longer need the services of two Telecommunications/Utility Consultant positions, one part-time Utility Rate Specialist 3 position, and one Administrative Services Assistant position.
- The total recurring decrease to state expenditures as a result of eliminating such positions is estimated to be \$325,800 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc